Weekly Economic Review

Service sector pushes up employment

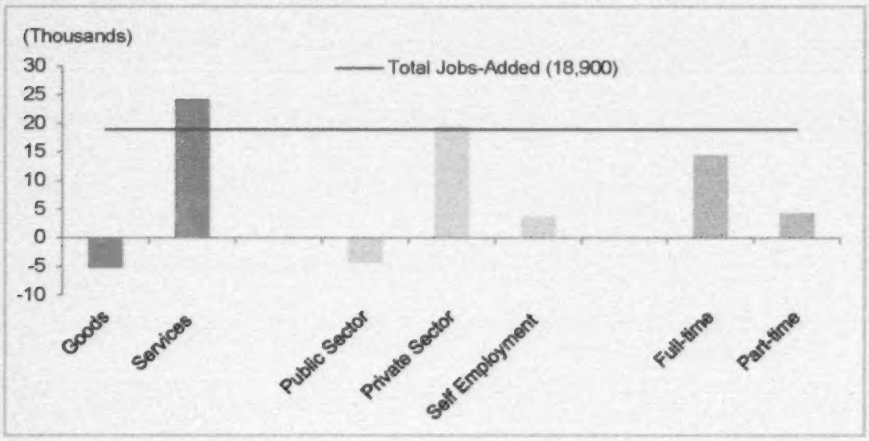
Employment

Surprising jump in job growth

Amidst the ongoing economic downturn, Alberta's labour market got a boost in March, adding 18,900 jobs (Chart 1). The gains were limited to the service sector however, which added 24,200 jobs in both full-time and part-time positions. The main contributors to job growth were retail and wholesale trade (+14,400), finance and real estate (+7,600), transportation and warehousing (+3,500), and accommodation/food services (+2,900). The goods sector continued to lose jobs (-5,300), with the largest decline in manufacturing (-7,900), which bodes with the substantial drop in manufacturing sales over the past few months. The construction industry (+4,500) helped limit job losses in the goods producing sectors. Self-employment also improved, adding 3,700 positions. In contrast, the public sector shed 4,300 jobs. Due to the impressive jump in job growth, the unemployment rate fell to 7.1%, back inline with the national average.

Chart 1: Labour market gets a reprieve due to service sector

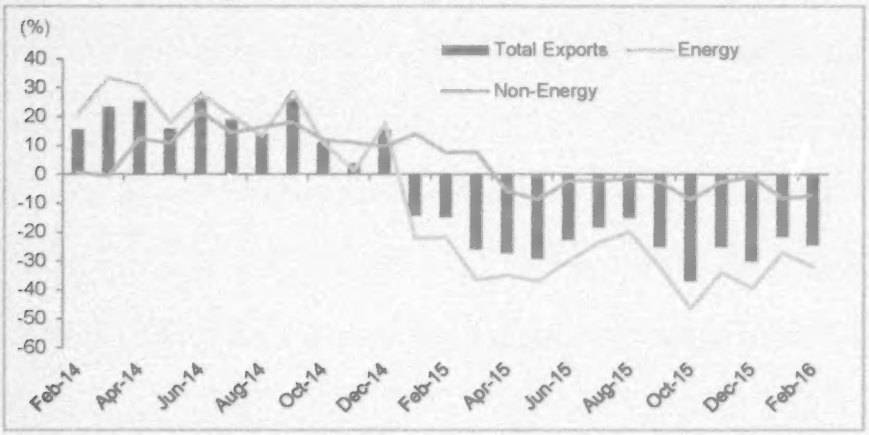
Alberta labour market indicators



Source: Statistics Canada

Chart 2: Oil price nadir pushes exports to lowest level since late-2009

Year-over-year change in Alberta international merchandise trade



Source: Statistics Canada

Merchandise Trade

Exports hit seven year low

Alberta's international goods exports fell sharply to $6.0 billion in February, down 24.7% y/y to the lowest level since November 2009 (Chart 2). The drop in exports receipts was mainly attributable to lower oil prices given that the volume of crude exports was up 5.7% y/y. The value of energy exports, which accounted for nearly two-thirds of total exports, fell by 32% y/y, as the price for WTI bottomed out at $26/bbl in mid-February. Non-energy exports were down 7.3% y/y with weakness persisting in industrial machinery (-52%), building supplies and forestry products (-10%) and metals and non-metallic mineral products (-11%).

Railcar Loadings

Loadings even slower than usual

There were 142,453 railcars loaded in Western Canada during January, down 12,348 cars from December and the largest drop since November 2014. Railcar shipping activity tends to slow through the winter months, but even compared with prior year car loadings were down 4.3%. Energy shipments continued to fall, with crude down 21%

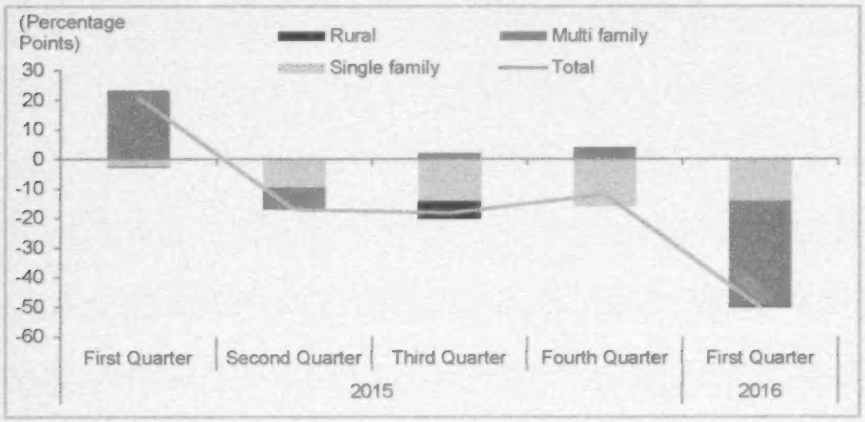
y/y and coal down by a lesser 2.2% y/y. Coal shipments are well below historical averages due to shrinking demand attributable to energy reform policies in several provinces. Shipments of chemical and metallic and non-metallic mineral were also down. Conversely, railcar loadings of agricultural products were up 1.1% y/y, buoyed by increases in canola shipments.

Industrial Price Index

Oil price shock reflected in declining industrial prices

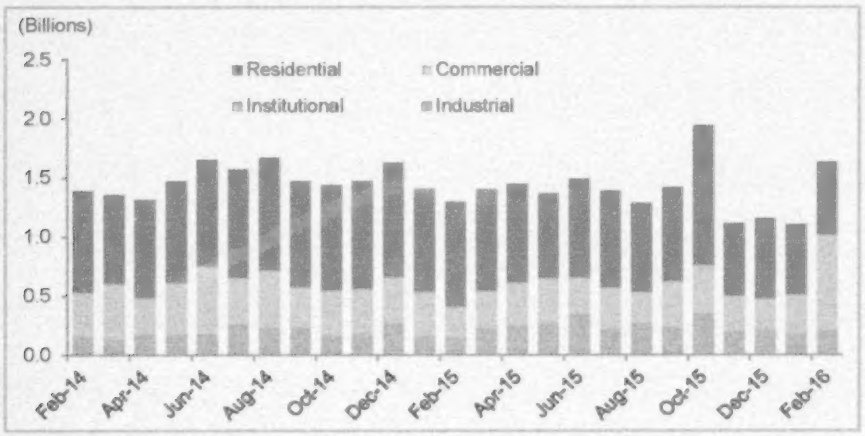
The industrial product price index (IPPI) declined 1.4% y/y in February, mostly due to low energy and petroleum (-21.4% y/y) and primary ferrous metal products (-10.5% y/y) prices. Excluding energy and petroleum products, the IPPI was up 1.6% y/y, led by a 6.8% y/y gain in motorized and recreational vehicles prices.

Chart 3: Multi family starts a primary source of weakness
Contributions to changes in housing starts by dwelling type



Source: Canada Mortgage and Housing Corporation

Chart 4: Hockey arena offers big boost to commercial permits
Total value of building permits issued



Source: Statistics Canada

Industrial input costs, as measured by the raw materials price index, were down 15.1% y/y. Low oil prices were again the main culprit, but raw material prices excluding energy were also down 4.0% y/y.

Housing Starts

Starts down to five year low

Alberta had 22,174 housing starts (annualized) in March 2016, the lowest in almost five years. Starts were weighed down by multi-family units, which were down by two-thirds from a year prior (Chart 3). Single family housing starts remained at levels not seen since 2009. Even with a 38% jump in March, Edmonton housing starts were down by almost 50% from a record high in March 2015. Calgary starts fell for a fourth-straight month. The number of housing starts in the first quarter of 2016 totalled 22,700, down by a third from the previous quarter.

Building Permits

Big spike in commercial permits

The value of Alberta building permits increased to $1.6 billion (Chart 4), up 26% y/y to the highest value issued on record during the month of February. The increase was driven by issuance of commercial non-residential permits in Edmonton, which soared up to $656 million from an average of $119 million over the preceding year. Roughly 35% of value of Edmonton's commercial permit issues were for the new downtown Oilers hockey arena. Across the province non-residential permits were up 147% y/y. In contrast, residential permits remained down 30% y/y, reflected in continued weakness of permits issuance for single and multi-family dwellings.

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Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.